

GREENE & MARKLEY, P.C.

ATTORNEYS AT LAW

RICHARD T. ANDERSON, JR.†
SUSAN E. ANDERSON‡
GARY L. BLACKLIDGE
FREDERICK M. BOSS‡
STEPHEN T. BOYKE
DAVID A. FORAKER
S. WARD GREENES
LINDA R. JOHANNSEN‡
ANNETTE T. KOLODZIE
SANFORD R. LANDRESS

THE 1515 BUILDING — SUITE 600
1515 S.W. FIFTH AVENUE
PORTLAND, OREGON 97201-5449

TELEPHONE
(503) 295-2668

FACSIMILE
(503) 224-8434
(503) 295-0837

FRANK G. MACMURRAY, JR.
MICHAEL G. MAGNUS*
CHARLES R. MARKLEY‡
SANDRA L. MITCHELL
THOMAS M. RENN†
DAVID SLADER
BRENT G. SUMMERS

October 7, 1993

†OREGON AND WASHINGTON STATE BARS
*OREGON AND CALIFORNIA STATE BARS
‡OREGON AND WISCONSIN STATE BARS
†OREGON AND MINNESOTA STATE BARS
§OREGON, CALIFORNIA AND TEXAS STATE BARS

Ms. Mildred Lee
Recording Unit
Interstate Commerce Commission
12th and Constitution Avenue NW, #2303
Washington, DC 20423

Via Federal Express

18240A

OCT 8 1993 - 2 45 PM

Dear Mrs. Lee:

INTERSTATE COMMERCE COMMISSION

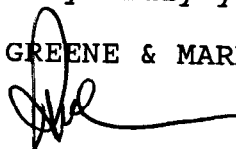
This office represents Bob Steele & Associates, Inc., lessor under a lease with Southwestern Michigan Railroad Company, Inc., dba Kalamazoo Lake Shore & Chicago Railway.

Enclosed is an original Lease Agreement Reinstatement and Modification #2 duly acknowledged by the parties and a copy certified before a notary public. This modifies the Railroad Car Lease Agreement recorded May 20, 1993 at 3:40 PM, Recording No. 18240. Please record this Lease Agreement Reinstatement and Modification #2 pursuant to 49 USC § 11303. The original document should be returned to this office. I have enclosed a self-addressed, stamped mailing envelope for your convenience and our check in the sum of \$18 in payment of your fee.

We would appreciate your immediately recording this document. Thank you for your courtesies in this matter.

Very truly yours,

GREENE & MARKLEY, P.C.



Richard T. Anderson, Jr.

RTA/nb
Encls.
cc: Mr. Robert Steele

clients\2312\002\lee.mil

LICENSING BRANCH

OCT 8 2 34 PM '93

RECEIVED
OFFICE OF THE
SECRETARY

Interstate Commerce Commission

Washington, D.C. 20423

10/13/93

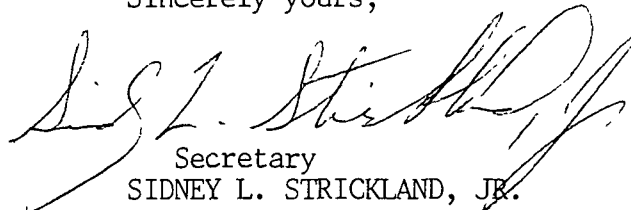
OFFICE OF THE SECRETARY

Richard T Anderson, Jr.
Greene & Markley
The 1515 Building Suite 600
1515 S.W. Fifth Avenue
Portland, Oregon 97201

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions
of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303,
on **10/8/93** at **2:45pm**, and assigned
recordation number(s). **18240-A**

Sincerely yours,



Secretary
SIDNEY L. STRICKLAND, JR.

Enclosure(s)

18242
OCT 8 1993 - 2 45 PM
INTERSTATE COMMERCE COMMISSION

LEASE AGREEMENT REINSTATEMENT AND MODIFICATION #2

A. PARTIES

This is a reinstatement of and modification to that Railroad Car Lease Agreement ("the Lease") by and between Bob Steele & Associates, Inc., ("Lessor"), and Southwestern Michigan Railroad Company, Inc., dba Kalamazoo Lake Shore and Chicago Railway ("Lessee"). This is Modification No. 2 to the Lease. The Lease covers the following cars:

Two Bi-Level Railcars, Serial No. SP 3705 and SP 3707, together with any replacement parts, additions, repairs or accessories now or hereafter incorporated in or affixed to the railroad cars. ("the Cars").

B. RECITALS

The parties hereby acknowledge and recite:

1. Pursuant to the terms of the Lease, Lessee was to pay Lessor monthly rent. The required payments have not been made.

2. Lessee subsequently requested additional time to make the payments. In response to Lessee's request the parties entered into a Lease Agreement Modification signed by Lessee on July 8, 1993 ("Modification #1").

3. The payments required pursuant to Modification #1 have not been made by Lessee. Lessor has taken the position that the lease has terminated and Lessor is entitled to possession of the Cars. Lessee asserts that it may have claims against Lessor. Lessor denies that any claims exist.

4. Lessee is pursuing financing for a possible

purchase of the Cars and requests that it be allowed to lease the Cars through November 30, 1993. Lessee requests that Lessor reinstate the Lease.

5. In order to resolve any outstanding disputes and grant Lessee one last time to perform and possibly purchase the Cars, the parties agree to this Modification #2.

C. MODIFICATION #2 TERMS

The parties hereby agree that the Lease is modified as follows:

1. The Lease is reinstated and extended through November 30, 1993. The Lease will terminate naturally by its terms on November 30, 1993, absent an earlier default by Lessee.

2. In order to fulfill payment terms to Lessor, compensate Lessor for the past use of the cars, and provide for future payments, Lessee shall make payments to Lessor as follows:

(a) \$4,500 shall be paid as a condition of Lessor agreeing to the terms of this Modification #2.

(b) \$4,500 must be received by Lessor no later than October 4, 1993.

(c) \$4,500 must be received by Lessor no later than October 11, 1993.

(d) \$4,000 must be received by Lessor no later than October 18, 1993.

(e) \$4,000 must be received by Lessor no later than October 31, 1993.

Lessee shall be in default on the Lease if any of these

payments is not received by Lessor by the due date. Risk of loss or late receipt of payment by mail is upon Lessee. Lessor will not accept any more late payments and all payments described herein must be received by the dates set forth above. Payments shall be delivered to: Richard T. Anderson, Jr., GREENE & MARKLEY, P.C., 1515 SW Fifth Avenue, Suite 600, Portland, Oregon 97201.

3. Lessee acknowledges that Lessor has fully performed all requirements, terms and provisions of the Lease. Lessee hereby ratifies and reaffirms the Lease and all Lessor's duties and responsibilities under the Lease and acknowledges that the Lease obligations of Lessee are due and owing without any right of claim or defense of Lessee on the Lease, including any right of offset. Lessee hereby waives, relinquishes, discharges and releases Lessor, and Lessor's principals, officers, agents, employees and attorneys, whether past or present, and none of whom admits liability, but each of whom denies liability, from any and all claims, demands, causes of action, actions, damages, demands for damages, attorney fees or compensation which any of them, whether individually or otherwise, ever had, now has, or later may have, whether known or unknown, of every kind and nature whatsoever, arising out of the Lease or as a result of any facts existing prior to the date Lessee signs this Modification #2.

4. The purchase option described in paragraph 25 of the Lease is reinstated. So long as Lessee is not in default,

the purchase option may be exercised any time through November 30, 1993. The purchase option shall be exercised only by Lessee's delivery to Lessor of a cashiers check, payable to the order of Lessor, in the sum of \$276,000. Any bill of sale delivered to Lessee pursuant to any exercise of the purchase option shall be in the form described in the Lease.

5. Except as set forth herein, all terms, conditions and duties of Lessee in the Lease, as modified, remain in full force and effect. The Lease and Modification #1 and Modification #2 constitute the full and complete agreement of the parties relating to the Cars and there are no additional terms, agreements or understandings other than those set forth in the Lease, Modification #1, or as modified herein.

D. REPRESENTATIONS

In order to induce Lessor to reinstate the Lease, Lessee hereby represents the following:

1. Lessee understands the sale of the Cars is very important to Lessor and that Lessor has been trying to sell the Cars for some time.

2. Lessee understands that if Lessee defaults and does not return the Cars voluntarily the Lessor will suffer additional damages, including damages arising from Lessor's being unable to sell the Cars and raise the necessary funds to operate Lessor's own railroad operation.

3. Lessee will immediately return the Cars to Lessor in the event Lessee defaults on the Lease.

4. The purchase price option of \$276,000 is the fair market value of the Cars.

5. Lessee has possession of the Cars and the Cars are free of any claims or liens of any person or entity arising since the date Lessee took possession of the Cars.

LESSOR:

BOB STEELE & ASSOCIATES, INC.

By

Title:

Date:

[Signature]
Pres
10 6 93

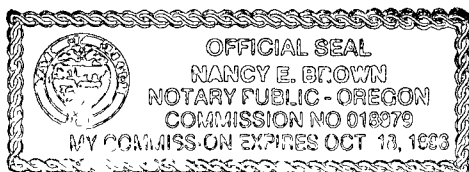
STATE OF OREGON)

) ss.

County of MULTNOMAH


On this 12th day of October, 1993, before me personally appeared Robert L Steele, to me personally known, who, being by me duly sworn, said that he is president of BOB STEELE & ASSOCIATES, INC., and that said instrument was signed and sealed on behalf of said corporation as duly authorized; and he acknowledged that the execution of the foregoing instrument was the free act and deed of said corporation.

[Signature]
NOTARY PUBLIC FOR OREGON



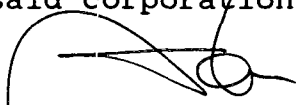
LESSEE:

SOUTHWESTERN MICHIGAN RAILROAD
COMPANY, INC., DBA KALAMAZOO LAKE
SHORE AND CHICAGO RAILWAY

By 
Kevin McKinney, Chairman
and CEO
Date: 1 October 1993

STATE OF MICHIGAN)
) ss.
County of Van Buren)

On this 1st day of Oct, 1993, before me personally
appeared Kevin McKinney, to me personally known, who, being by me
duly sworn, said that he is Chairman and CEO of SOUTHWESTERN
MICHIGAN RAILROAD COMPANY, INC., DBA KALAMAZOO LAKE SHORE AND
CHICAGO RAILWAY, and that said instrument was signed and sealed
on behalf of said corporation as duly authorized; and he
acknowledged that the execution of the foregoing instrument was
the free act and deed of said corporation.


NOTARY PUBLIC

Nelson Fune

clients\2312\001\leasemod 1/nb